

PLANNING LETTER 2013/14

Report to Audit Committee

Hastings Borough Council

APRIL 2013



PROPOSED AUDIT FEES

Introduction

We are required to report to you our proposed fees and programme of work for the 2013/14 financial year. The fee is based on the work required under the Audit Commission's Code of Audit Practice and our assessment of the audit resources required to complete this work, taking into account the strength of your control environment, coverage of internal audit work and previous audit experience.

The audit fee covers the:

- audit of the financial statements
- value for money conclusion.

Proposed fees

A summary of the proposed fee, and how it compares to the published Audit Commission scale fee for 2013/14 and the current proposed fees for 2012/13, is shown below.

Audit area	Proposed fee	
	2013/14 (£)	2012/13 (£)
Code audit work		
- scale fee	60,990	60,990
- variation	-	-
Total Code audit work	60,990	60,990
Objections and complaints	-	-
Certification fees	13,400	16,300
- scale fee variation	-	-
Total certification fee	13,400	16,300
Total proposed fees	74,390	77,290

Audit commission scale fee

In December 2012, the Audit Commission published a consultation document setting out the work that auditors should undertake at Local Authorities during 2013/14 and the associated scales of audit fees. The Commission confirmed the final work programme and scales of fees for 2013/14 in March 2013.

The Audit Commission has not made any changes to the work programme for Local Government bodies for 2013/14. The fees proposed for the code audit work remain at the same level as the fees applicable for 2012/13. The Certification scale fee proposed has reduced by £2,900 compared to the proposed scale fee in 2012/13.

The Commission has committed to undertaking an annual review of the work programme and fees and will be revisiting scale fees for future years in due course.

Questions and objections

Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

Non-audit assurance work

We have not proposed undertaking any non-audit work.

Billing arrangements

The Code audit fee will be billed as four equal instalments of £15,247.50 in June 2013, September 2013, December 2013, and March 2014. Fees for the certification of grants and returns will be billed upon completion of each relevant return.

PROPOSED WORK AND REPORTS

Introduction

A separate Audit Plan will be issued once we have completed our detailed risk assessment and the audit of the 2012/13 financial statements. This will detail the significant financial statements risks and value for money risks that we have identified, our planned audit procedures to respond to those risks and any associated changes in fee.

In this Planning Letter we outline the proposed work programme.

Financial Statements

Our audit strategy proposes that we obtain assurances over the financial statements using a combination of testing the effectiveness of the Council's internal controls, testing a sample of transactions and balances in the financial statements, and analytical procedures.

We will seek to rely on the work of any management expert used to prepare items in the financial statements, such as land and property valuations provided and pensions actuaries for valuation of the Council's share of the pension fund assets and liabilities.

To date, we have noted the following that may impact on our proposed approach to the audit of the financial statements for 2013/14:

- valuation of infrastructure on a depreciated replacement cost rather than historical cost to align with HM Treasury guidance
- impact of localisation of business rates and council tax on the Collection Fund
- accounting for transactions involving the Council's regeneration partners.

Value for money

We are required to assess the Council's arrangements to:

- secure financial resilience: the organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- challenge how it secures economy, efficiency and effectiveness: the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have noted the following that may impact on our value for money audit:

Medium term financial strategy

The Government continues to reduce funding for local government over the Spending Review period, and combined with additional pressures arising from demographic and other changes, will continue to have a significant impact on Councils.

Changes to the arrangements for funding council tax support and the business rate retention scheme also bring added uncertainty to the medium term financial strategy.

Changes to proposed work and fees

If we need to propose any amendments to the audit fee during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Head of Finance and seek approval from the

Audit Commission for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Committee.

Reports and opinions

We plan to issue the following reports and opinions over the course of the audit:

- Audit Plan (January 2014)
- if appropriate, report on significant deficiencies in internal controls (May 2014)
- Annual Governance Report (September 2014)
- auditor's report with opinion on the financial statements and value for money conclusion (September 2014)
- auditor's report and assurance statement on the Whole of Government Accounts return (September 2014)
- Annual Audit Letter (October 2014)
- grant claims and returns certification report (January 2015).

AUDIT TEAM

Key members of the audit team

Engagement Lead - Robert Grant

email: Robert.Grant@bdo.co.uk Tel: 020 7065 0170

Robert will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Engagement Manager - Stuart Frith

email: Stuart.Frith@bdo.co.uk Tel: 020 7065 0432

Stuart will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Team Leader - Christopher Jones

email: Christopher.Jones@bdo.co.uk Tel: 020 7065 0000

Chris will lead the delivery of the financial statements audit.

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Robert Grant in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales (“ICAEW”).